

Message Text

CONFIDENTIAL

PAGE 01 LONDON 12767 01 OF 02 131741Z

46

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 EURE-00 SSO-00 NSCE-00 INRE-00

USIE-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00

EB-07 FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00

NSC-05 OMB-01 PM-04 SAM-01 OES-06 SP-02 SS-15 STR-04

TRSE-00 ACDA-07 MC-02 PRS-01 /108 W

----- 118321

O R 131721Z AUG 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 4553

SECDEF

INFO AMEMBASSY TEHRAN

AMEMBASSY JIDDA

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 12767

DEFENSE FOR ISA/DSAA

E.O. 11652: XGDS-1

TAGS: MASS, ENRG, UK, IR

SUBJ: IRANIAN OIL-FOR-ARMS DEALS

SUMMARY: A LARGE-SCALE OIL-FOR-ARMS DEAL BETWEEN IRAN, SHELL OIL AND BRITISH AIRCRAFT CORPORATION, INVOLVING THE RAPIER MISSILE, HAS BEEN DISCLOSED. BRITISH OFFICIALS HAVE INFORMED THE EMBASSY THAT HMG HAD NOT BEEN INVOLVED, BUT HAD NEITHER OPPOSED THE DEAL NOR ENDORSED IT. HMG IS CONCERNED OVER THE POTENTIAL IMPLICATIONS OF SUCH PROPOSED IRANIAN BARTER DEALS WITH BOTH US AND UK FIRMS, AND HAS INSTRUCTED ITS EMBASSY IN WASHINGTON TO CONSULT WITH USG ON THE MATTER.

1. BEGIN UNCLASSIFIED: A LARGE-SCALE "OIL-FOR-ARMS" DEAL BETWEEN IRAN, SHELL OIL AND THE BRITISH AIRCRAFT CORPORATION WAS DISCLOSED IN THE BRITISH PRESS THIS WEEK, BEGIN-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 12767 01 OF 02 131741Z

NING WITH A STORY FROM A FINANCIAL TIMES CORRESPONDENT

IN TEHRAN WHICH WAS BASED ON AN INTERVIEW WITH VICE WAR MINISTER TOUFANIAN. ACCORDING TO THIS STORY IN THE AUGUST 10 ISSUE, THE THREE-WAY BARTER DEAL WILL BE WORTH THE EQUIVALENT OF 300 MILLION POUNDS STERLING, AND WILL INVOLVE THE RAPIER MISSILE. ARTICLE ALSO STATED IRAN WOULD BUY ADDITIONAL CHIEFTAIN AND SCORPION TANKS IN SEPARATE TRANSACTIONS, AND THAT "ALTOGETHER THE VALUE OF UK ARMS SALES TO IRAN WILL NOW AMOUNT TO MORE THAN ONE BILLION POUNDS STERLING".

2. ARTICLE QUOTES GENERAL TOUFANIAN AS STATING THE SALE OF OIL WAS BEING CONDUCTED AT MARKET PRICES WITH NO DISCOUNT. "THE SALE TO SHELL IS BELIEVED TO INVOLVE SOME L7,000 BARRELS A DAY FOR THE FIRST SIX MONTHS, RISING TO 20,000 BARRELS PER DAY...IRAN IS WILLING TO SELL OIL ON THIS BASIS TO OTHER BRITISH COMPANIES FOR MORE MILITARY EQUIPMENT".

3. THE ARTICLE ALSO QUOTES GENERAL TOUFANIAN AS STATING IRAN IS ALSO DISCUSSING ARMS-FOR-OIL BARTER DEALS WITH SEVERAL UNITED STATES OIL COMPANIES, INCLUDING NETCO (SIC) ASHLAND AND CROWN OIL. A DEAL WITH THE LATTER WOULD OFFSET IRAN'S PAYMENT ON PURCHASE OF THE MCDONNELL DOUGLAS/NORTHROP F-18 AIRCRAFT. END UNCLASSIFIED.

4. BEGIN CONFIDENTIAL: IN CONVERSATIONS WITH DEPARTMENT OF ENERGY AND FCO ENERGY OFFICIALS AUGUST 10-11, THEY CONFIRMED FINANCIAL TIMES ARTICLE WAS "MORE OR LESS FACTUALLY CORRECT", RAPIER DEAL HAD BEEN ARRANGED BY PRIVATE COMPANIES AND HMG DID NOT CHOOSE TO OBJECT. PUBLIC POSTURE OF GOVERNMENT WOULD BE THAT HMG CANNOT CONFIRM DETAILS OF INDIVIDUAL ARMS DEALS AND QUERIES ABOUT OIL BARTER ASPECT SHOULD BE DIRECTED TO FIRMS INVOLVED WHICH PRESUMABLY ENTERED INTO ARRANGEMENT FOR GOOD COMMERCIAL REASONS. IF PRESSED ON PRINCIPLE OF BARTERING ARMS FOR OIL, HMG WOULD STATE IT IS IN FAVOR OF LIBERAL TRADING SYSTEM IN GENERAL BUT IS NOT GOING TO COMMENT ON INDIVIDUAL DEALS.

5. FCO ENERGY OFFICIAL NOTED MOD HAS LEAD ROLE IN THIS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 12767 01 OF 02 131741Z

AREA AND OPINED PROBABILITY IS THAT IF OIL BARTER IS REQUIRED TO SELL ARMS, IT WILL BE AUTHORIZED. HE ACKNOWLEDGED, HOWEVER, THAT OIL BARTER APPROACH EVENTUALLY COULD CREATE DIFFICULTIES FOR IRANIAN OIL CONSORTIUM PARTNERS AND US AND UK GOVERNMENTS SHOULD AMOUNTS INVOLV-

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 12767 02 OF 02 131738Z

46

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00

INRE-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00

EB-07 FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00

NSC-05 OMB-01 PM-04 SAM-01 OES-06 SP-02 SS-15 STR-04

TRSE-00 ACDA-07 MC-02 PRS-01 /108 W

----- 118243

O R 131721Z AUG 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 4554

SECDEF

INFO AMEMBASSY TEHRAN

AMEMBASSY JIDDA

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 12767

ED RISE FROM PALTRY 20,000 BARRELS A DAY TO HUNDREDS OF THOUSANDS OF BARRELS DAILY. BRINGING ADDITIONAL RIGIDITY INTO EQUATION COULD MAKE IRANIAN LIFTINGS PROBLEM THAT MUCH MORE DIFFICULT OVER TIME. HE HOPED MINISTERIAL LEVEL OF HMG COULD SOON BE BROUGHT TO REVIEW PRINCIPLE INVOLVED INSTEAD OF MERELY PASSING ON INDIVIDUAL DEALS.

6. IN SUBSEQUENT CONVERSATION WITH EMBOFF ON AUGUST 12, DAY, ACTING HEAD OF FCO MIDDLE EAST DEPARTMENT, NOTED THAT SHELL HAD PUBLICLY CONFIRMED THAT IT HAD BEEN OFFER-ED CRUDE OIL BY BAC AND THAT THE DISCUSSIONS CENTERED ON A LEVEL OF 17,000 TO 20,000 BARRELS PER DAY OVER A SIX-YEAR PERIOD. DAY STATED THAT BAC AND SHELL HAD BEEN NEGOTIATING DIRECTLY WITH THE IRANIANS AND THAT THE BRITISH GOVERNMENT HAD NOT BEEN INVOLVED. HE CONTINUED THAT THE BRITISH GOVERNMENT HAS NOT OPPOSED THE DEAL BUT HAS NOT ENDORSED THE DEAL IN PRINCIPLE BECAUSE GOVERNMENT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 12767 02 OF 02 131738Z

BELIEVES SUCH BARTER DEALS GO AGAINST WESTERN INTERESTS
AND HMG PREFERS CASH.

7. ACCORDINGLY, DAY STATED HMG WAS IN PROCESS OF SENDING
INSTRUCTIONS TO THE BRITISH EMBASSY IN WASHINGTON TO
DISCUSS THE ISSUE WITH THE USG AND SEEK TO COMPARE NOTES
ON THE EXTENT TO WHICH IRAN WANTS TO CONTINUE TO DO
BUSINESS THIS WAY. BRITISH WILL ALSO SEEK TO FIND OUT TO
WHAT EXTENT THE BARTER ARRANGEMENTS US FIRMS MAY HAVE
ENTERED INTO WITH IRAN REQUIRE USG APPROVAL. DAY SAID
THESE DISCUSSIONS ON DESIRABILITY OF COORDINATING
PRINCIPLES WOULD BE CONFINED TO HMG AND USG ONLY.

ARMSTRONG

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, ARMS PRODUCTION, MISSILES, BARTER TRADE, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON12767
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Film Number: D760312-0331
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760856/aaaabwnl.tel
Line Count: 188
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 13 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 MAY 2004 by GarlanWA>; APPROVED <09 SEP 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IRANIAN OIL-FOR-ARMS DEALS SUMMARY: A LARGE-SCALE OIL-FOR-ARMS DEAL BETWEEN IRAN, SHELL OIL AND BRITISH AIRCRAFT CORPORATION, INVOLV
TAGS: MASS, ENRG, UK, IR
To: STATE DOD
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006